

uTHUNGULU



**uThungulu District Municipality
Annual Financial Statements
for the year ended June 30, 2006**

uThungulu District Municipality

Annual Financial Statements for the year ended June 30, 2006

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Statement of Municipal Manager's Responsibility

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 - 27, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 23 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



B. Bvela

Municipal Manager

Richards Bay

Thursday, August 31, 2006

uThungulu District Municipality

Annual Financial Statements for the year ended June 30, 2006

Statement of Financial Performance

| Figures in Rand | Note(s) | 2006 | 2005 |
|--|---------|----------------------|----------------------|
| Revenue | | | |
| Regional Services Levies - turnover | | 67,651,301 | 56,950,711 |
| Regional Services Levies - remuneration | | 23,120,058 | 19,828,293 |
| Service charges | 18 | 21,897,803 | 18,072,283 |
| Rental income | | 749,519 | 835,306 |
| Government grants | 19 | 124,839,136 | 128,148,297 |
| Interest received - external investments | 21 | 13,620,006 | 13,982,903 |
| Interest earned - outstanding debtors | | 686,162 | 115,336 |
| Other income | 20 | 1,479,183 | 1,166,068 |
| Total revenue | | 254,043,168 | 239,099,197 |
| Expenditure | | | |
| Employee related costs | 22 | (37,053,618) | (32,516,136) |
| Remuneration of councillors | 23 | (4,127,824) | (4,045,374) |
| Bad debts | | (1,275,763) | (979,151) |
| Collection cost | | (35,387) | (569,569) |
| Depreciation, amortisation and impairments | | (3,423,039) | - |
| Repairs and maintenance | | (35,350,528) | (25,389,426) |
| Interest paid | 24 | (3,026,426) | (3,069,199) |
| Bulk purchases | 25 | (5,595,298) | (4,908,245) |
| Contracted services | | (28,821,813) | (30,289,800) |
| Grants and subsidies paid | 26 | (1,344,162) | (1,617,498) |
| General expenses | | (70,967,534) | (45,227,953) |
| Loss on disposal of assets | | (846,563) | (77,985) |
| Total Expenditure | | (191,867,955) | (148,688,336) |
| Surplus for the year | | 62,175,213 | 90,410,861 |

Refer to Appendix E(1) for the comparison with the approved budget

uThungulu District Municipality

Annual Financial Statements for the year ended June 30, 2006

Cash Flow Statement

| Figures in Rand | Note(s) | 2006 | 2005 |
|---|----------------|---------------------|---------------------|
| Cash flows from operating activities | | | |
| Cash receipts from customers | | 251,930,995 | 233,948,951 |
| Cash paid to suppliers and employees | | (187,814,463) | (145,711,849) |
| Cash generated from operations | 27 | 64,116,532 | 88,237,102 |
| Interest income | | 14,306,168 | 14,098,239 |
| Interest paid | | (3,026,426) | (3,069,199) |
| Net cash from operating activities | | 75,396,274 | 99,266,142 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 10 | (80,342,554) | (70,983,788) |
| Increase in non-current investments | | (1,263,635) | (1,131,519) |
| Decrease in non-current receivables | | 5,755,231 | 7,811,340 |
| Net cash from investing activities | | (75,850,958) | (64,283,967) |
| Cash flows from financing activities | | | |
| Repayment of other financial liabilities | | (537,553) | (880,676) |
| Decrease/(increase) in consumer deposits | | 57,423 | 25,417 |
| Net cash from financing activities | | (480,130) | (855,259) |
| Net (decrease) / increase in cash and cash equivalents | | (934,814) | 34,126,916 |
| Cash and cash equivalents at the beginning of the year | | 182,781,400 | 148,654,484 |
| Cash and cash equivalents at the end of the year | 28 | 181,846,586 | 182,781,400 |

uThungulu District Municipality

Annual Financial Statements for the year ended June 30, 2006

Accounting Policies

1.4 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment, is stated at cost, less accumulated depreciation, except infrastructure assets and land and buildings, which are revalued as indicated below. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Property, plant and equipment are carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations on other assets, except for land and buildings were performed to determine fair value at the balance sheet date.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to equity in the revaluation reserve. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

1.5 Financial Instruments

Initial recognition

Financial instruments, which include fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

1.6 Inventories

Consumable stores and maintenance stock are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the first-in, first-out method.

1.7 Other debtors

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

1.8 Trade Creditors

Trade creditors are stated at their nominal value.

uThungulu District Municipality

Annual Financial Statements for the year ended June 30, 2006

Accounting Policies

1.13 Unauthorised Expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.14 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.15 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.16 Comparatives Information

1.16.1 Current year comparatives

Budgeted amounts have been included in the annual financial statements for the current financial year only in Appendix E1 & E2.

1.16.2 Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

1.17 The Municipality as Lessee

Operating lease rentals are expensed as they become due.

1.18 Retirement Benefits

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially.

1.19 Borrowing costs

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

uThungulu District Municipality

Annual Financial Statements for the year ended June 30, 2006

Notes to the annual financial statements

| Figures in Rand | 2006 | 2005 |
|--|-------------------|-------------------|
| 2. Changes in accounting policy - implementation of GAMAP (continued) | | |
| Training | - | (340,197) |
| Grants & Donations - Mbonambi | - | (387,298) |
| Capital Redemption | - | 995,650 |
| Loss on disposal of assets | - | (77,985) |
| Contributions to funds | - | 104,546,006 |
| Contribution to bursary reserve | - | 500,000 |
| Contribution to training reserve | - | 363,579 |
| Audit fee provision | - | (120,000) |
| Interest received | - | 1,131,519 |
| Training SETA Refund | - | 108,412 |
| Reversal of contribution for government grant assets | - | 6,117,780 |
| Reversal to adjustments to appropriation (2004/05) | - | - |
| General Expenses | - | 462,170 |
| External Audit Fees | - | 110,098 |
| Agency Fees | - | (2,722,393) |
| Bad Debts provision | - | (589,152) |
| Leave provision | - | (925,719) |
| Mthonjaneni Debtor | - | 31,595 |
| DC28 Debtor | - | 2,673,150 |
| Recognition of Grant Income | - | 11,437,544 |
| | - | 90,410,861 |
| 3. Long term liabilities | | |
| Non-current liabilities portion of loans | | |
| DBSA | - | 474,816 |
| The loan was transferred to Uthungulu during the transfer of water and sanitation functions from Umlalazi Municipality. The loan has been repaid in full during 2005/06. | | |
| INCA 1 | 41,557 | 115,276 |
| The loan was taken to finance future extensions to the Uthungulu House. The loan is repayable over a 10 year period, 6 monthly in arrears on the last day of the month. Interest is charged at the interest rate of 16.80 % | | |
| INCA 2 | 21,000,000 | 21,000,000 |
| The loan was taken to finance the purchase and development of the regional solid waste site. The loan is repayable over a 15 year period. Interest at 13.95% is paid 6 monthly in arrears on the last day of the month. The final payment of R 21 million is due December 2015. A zero coupon from INCA has been taken out to repay this loan. | | |
| Current portion transferred to current liabilities | | |
| Annuity Loans | 73,728 | 62,746 |
| Sub-total | 21,115,285 | 21,652,838 |
| Total External Loans | 21,041,557 | 21,590,092 |
| Total current portion | 73,728 | 62,746 |

Refer to Appendix A for more detail on long-term liabilities.

uThungulu District Municipality

Annual Financial Statements for the year ended June 30, 2006

Notes to the annual financial statements

Figures in Rand

| | 2006 | 2005 |
|-----------------------------|-------------------|-------------------|
| 7. Trade Creditors | | |
| Trade payables | 24,660,633 | 15,985,690 |
| Amounts received in advance | 7,255,607 | 8,496,492 |
| Accrued leave pay | 3,151,215 | 1,916,853 |
| Other accrued expenses | 68,375 | 50,176 |
| Other payables | 5,013,305 | 9,616,262 |
| Total Creditors | 40,149,135 | 36,065,473 |

8. Unspent conditional grants and receipts**8.1 Conditional Grants from other spheres of government**

| | | |
|--|-------------------|-------------------|
| Department of Public Works | 4,092,690 | 977,931 |
| Department of Provincial and Local Government | 1,869,219 | 6,094,274 |
| Department of Sports & Recreation - Kwa-Zulu Natal | 876,583 | 1,577 |
| Department of Traditional & Local Government Affairs | 11,093,580 | 12,448,789 |
| Department of Water Affairs & Forestry | 7,297,384 | 1,106,370 |
| Department of Transport - Kwa-Zulu Natal | 113,770 | 288,210 |
| National Government - Municipal Infrastructure Grants | 19,088,053 | 14,363,154 |
| National Government - Other Grants | 817,228 | 965,636 |
| Conditional Grants from other spheres of Government | 45,248,507 | 36,245,941 |

8.2 Other Conditional Grants

| | | |
|-----------------------------------|----------------|----------------|
| Development Bank of South Africa | 88,653 | 125,624 |
| International Foundation | 11,912 | 28,156 |
| South African Sugar Association | 54,199 | 54,199 |
| Other Conditional Receipts | 154,764 | 207,979 |

| | | |
|--|-------------------|-------------------|
| Total Conditional Grants and Receipts | 45,403,271 | 36,408,920 |
|--|-------------------|-------------------|

See Note 19 for reconciliation of grants from other spheres of government.

9. VAT

| | | |
|----------------------------|-----------|-----------|
| VAT receivable / (payable) | 9,037,020 | (265,856) |
|----------------------------|-----------|-----------|

Vat is payable on the payment basis.

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Annual Financial Statements for the year ended June 30, 2006

Notes to the annual financial statements

| Figures in Rand | 2006 | 2005 |
|--|-------------------|-------------------|
| 11. Investments | | |
| Held to maturity | | |
| Promissory Notes | 8,424,476 | 8,424,476 |
| An investment in Promissory Notes was made in 2000/01 financial year by council, which were prohibited in terms of section 10 (G) 9(a) of the Local Government Transitional Act, of 1993. | | |
| INCA Zero Coupon | 12,086,223 | 10,822,588 |
| The INCA Zero Coupon of R 7,963,350 was purchased by council in 2002/03 to be utilized as a guarantee on the R 21 million INCA loan. Interest of R 1,263,635 (2004/05 - R1,134,407) at 11.35% was earned on the investment. The coupon matures on the 30th of June 2011. | | |
| | 20,510,699 | 19,247,064 |

12. Long term receivables

Long-Term Receivables

| | | |
|--|------------------|------------------|
| - Loans to local municipalities | 418,887 | 521,210 |
| - Staff home loans | 1,679,851 | 6,733,877 |
| - Staff vehicle loans | 773,862 | 1,245,897 |
| - Staff study loans | 607,246 | 733,890 |
| | 3,479,846 | 9,234,874 |
| Less: Current portion transferred to current receivables | (455,328) | (746,499) |
| Total long term receivable | 3,024,318 | 8,488,375 |

Current portion receivables

| | | |
|---------------------------------|----------------|----------------|
| - Loans to local municipalities | 119,073 | 102,323 |
| - Staff home loans | 58,291 | 206,933 |
| - Staff vehicle loans | 277,964 | 437,243 |
| | 455,328 | 746,499 |

Non-current assets
Current assets

| | |
|------------------|------------------|
| 3,024,318 | 8,488,375 |
| 455,328 | 746,499 |
| 3,479,646 | 9,234,874 |

Loans to Municipalities

The loan to Umlalazi Municipality was provided on the 31st of December 1999, and interest at 15.75% is charged bi-annually with the final repayment due on the 30th of June 2009.

Car loans

Senior staff were entitled to car loans prior to 1 July 2004, which currently attracts interest at 8.5% per annum and which are repayable over a maximum period of 6 years. These loans are repayable in the year 2009.

Staff home loans

Housing loans were granted to qualifying staff prior to 1st July 2004. These loans attract interest per the fringe benefit interest rate as determined by the South African Revenue Services annually. These loans will be repayable in accordance with home loan agreements and range from 5 to 10 years.

Staff study loans

uThungulu District Municipality

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Notes to the annual financial statements

Figures in Rand

2006

2005

14. Consumer debtors (continued)**Summary of Debtors by Customer Classification****As at June 30, 2006**

Current (0 – 30 days)

31 - 60 Days

61 - 90 Days

91 - 120 Days

Sub-total

Less: Provision for bad debts

ConsumersIndustrial/
CommercialNational and
Provincial
Government

823,852

284,208

326,335

839,517

203,932

329,463

566,091

98,963

181,069

3,111,461

815,330

622,686

5,340,921

1,402,433

1,459,553

(2,355,132)

(715,623)

-

2,985,789

686,810

1,459,553

15. Other Debtors

Other debtors

Deposits

Total other debtors

1,527,351

9,924,513

2,147,026

549,383

3,674,377

10,473,896

16. Call Investment deposits

Call Deposits

90,000,000

155,000,000

17. Bank balances and cash

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

ABSA Bank - Richards Bay

Account Number: 215 000 0079

Trading Services Account

ABSA Bank - Richards Bay

Account Number: 405 987 3153

Cash and cash equivalents consist of:

Cash on hand

Bank balances

3,200

2,700

91,843,386

27,778,700

91,846,586

27,781,400

uThungulu District Municipality

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Notes to the annual financial statements

Figures in Rand

2006

2005

19.3. Department of Public Works Grants

Balance unspent at beginning of year

977,931

977,931

Current year receipts

3,114,759

1,998,349

Conditions met - transferred to revenue

(1,998,349)

Conditions still to be met - transferred to liabilities

4,092,690

977,931

This grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.

19.4. Department of Sport & Recreation

Balance unspent at beginning of year

1,577

80,555

Current year receipts

1,875,000

-

Conditions met - transferred to revenue

(999,994)

(78,978)

Conditions still to be met - transferred to liabilities

876,583

1,577

Provincial Department of Sport & Recreation Projects grants are used to construct Sports & Swimming Pools in Nkandla. The grant is spent in accordance with a business plan approved by the Provincial Government. No funds have been withheld.

uThungulu District Municipality

Annual Financial Statements for the year ended June 30, 2006

Notes to the annual financial statements

| Figures in Rand | 2006 | 2005 |
|-----------------|------|------|
|-----------------|------|------|

19.10 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 2 of 2006), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

20. Other income

| | | |
|--------------|-----------|-----------|
| Other income | 1,479,183 | 1,166,068 |
|--------------|-----------|-----------|

21. Investment revenue

Interest revenue

| | | |
|--|-------------------|-------------------|
| Interest earned - external investments | 13,620,006 | 13,982,903 |
| Interest earned - outstanding debtors | 686,162 | 115,336 |
| | 14,306,168 | 14,098,239 |

22. Employee related costs

| | | |
|--|-------------------|-------------------|
| Basic | 25,380,364 | 21,692,903 |
| UIF, WCA, SDL and other levies | 651,463 | 562,756 |
| Car allowance | 2,926,142 | 3,058,328 |
| Housing benefits and allowances | 605,911 | 861,745 |
| Medical aid - company contributions | 1,267,615 | 1,170,335 |
| Leave pay provision charge | 3,389,803 | 2,164,412 |
| Pension and provident fund contributions | 2,852,320 | 3,005,657 |
| | 37,053,618 | 32,516,136 |

There were no advances to employees. Loans to employees are set out in note 12.

Remuneration of the Municipal Manager

| | | |
|----------------------|----------------|----------------|
| Basic | 594,599 | 566,285 |
| Bonus | 105,676 | 87,467 |
| Car allowance | 197,702 | 181,797 |
| Contributions to UIF | 1,252 | 1,093 |
| | 899,229 | 836,642 |

Remuneration of the Deputy Municipal Manager

| | | |
|----------------------|----------------|----------------|
| Basic | 511,001 | 486,668 |
| Bonus | 100,393 | 55,381 |
| Car allowance | 234,666 | 224,280 |
| Contributions to UIF | 1,252 | 1,093 |
| | 847,312 | 767,422 |

uThungulu District Municipality

Annual Financial Statements for the year ended June 30, 2006

Notes to the annual financial statements

| Figures in Rand | 2006 | 2005 |
|---------------------------|------------------|------------------|
| 25. Bulk Purchases | | |
| Electricity | 2,707,744 | 2,147,041 |
| Water | 2,887,554 | 2,759,204 |
| | 5,595,298 | 4,906,245 |

26. Grants and Subsidies

| | | |
|---------------------------------|------------------|------------------|
| KZ 281 MBONAMBI MUNICIPALITY | 674,162 | 387,298 |
| KZ 282 UMHLATUZE MUNICIPALITY | - | 470,000 |
| KZ 283 NTAMBANANA MUNICIPALITY | - | 300,000 |
| KZ 284 UMLALAZI MUNICIPALITY | 470,000 | - |
| KZ 285 MTHONJANENI MUNICIPALITY | - | 460,200 |
| KZ 286 NKANDLA MUNICIPALITY | 200,000 | - |
| | 1,344,162 | 1,617,498 |

The grants paid to the local Municipalitys were for Performance management, Integrated Development Plan Review and Capacity building.

27. Cash generated by operations

| | | |
|---|-------------------|-------------------|
| Surplus for the year | 62,175,213 | 90,410,861 |
| Adjustments for: | | |
| Loss on sale of assets | 846,563 | 77,985 |
| Interest received | (14,306,168) | (14,098,239) |
| Interest paid | 3,026,426 | 3,069,199 |
| Impairment losses / reversals | 3,423,039 | - |
| Movements in provisions | 1,774,326 | - |
| Contribution to bad debt provision | 1,260,253 | 1,013,222 |
| Changes in working capital: | | |
| Increase in Inventories | (211,338) | (65,810) |
| Decrease in other debtors | 6,799,516 | 8,163,948 |
| (Increase) in debtors | (4,446,435) | (3,465,809) |
| Increase in creditors | 4,083,662 | (398,251) |
| Increase/(Decrease) in conditional and other grants | 8,994,351 | 4,171,869 |
| Increase / (Decrease) in Vat | (9,302,876) | (641,873) |
| | 64,116,532 | 88,237,102 |

28. Cash and cash equivalents

Cash and cash equivalents included in the cashflow statement comprise the following statement of amounts indicating financial position:

| | | |
|--|--------------------|--------------------|
| Call investment deposits - Current portion | 90,000,000 | 155,000,000 |
| Bank balances | 91,843,386 | 27,778,700 |
| Cash on hand | 3,200 | 2,700 |
| | 181,846,586 | 182,781,400 |

uThungulu District Municipality

Annual Financial Statements for the year ended June 30, 2006

Notes to the annual financial statements

| Figures in Rand | 2006 | 2005 |
|-----------------|------|------|
|-----------------|------|------|

30. Commitments (continued)

| | | |
|--|------------|-----------|
| | 22,808,266 | 6,800,000 |
|--|------------|-----------|

The outstanding commitments relate to capital projects and other assets that have been committed by order or by the Bid Adjudication Committee prior to 30th June 2006. The majority of the capital projects include internally funded water services upgrades.

31. Related parties

Related party transactions

Sub-Lease Payments

| | | |
|---------------|-----------|-----------|
| NIB9810 Trust | 3,086,352 | 2,600,003 |
|---------------|-----------|-----------|

uThungulu Financing Partnership is a partnership between uThungulu District Municipality, NIB9810 Trust and Nedcor. uThungulu District Municipality and NIB9810 Trust holds 0.05% each and Nedcor the balance of 99.95%. The uThungulu Financing Partnership was formed to facilitate the purchase of uThungulu House in order to provide offices for uThungulu District Municipality. In order to finance the purchase of uThungulu House, the partnership entered into a loan agreement with Nedcor. In terms of the sub-lease agreement, uThungulu District Municipality is obliged to make bi-annual sub lease payments to the partnership to reimburse uThungulu Financing Partnership for the loan repayments made to Nedcor. The loan is payable over 20 year period (starting in 1998 - 2017)

32. In-kind donations and assistance

The Municipality received the following in-kind donation and assistance

Description:

- Secondment of International Finance Advisor by National Treasury for the period commencing 1 August 2004 to 22nd May 2006.

33. Comparison with budget

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2).

UTHUNGULU DISTRICT MUNICIPALITY: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2006
Accumulated Depreciation

| | Opening Balance Rand | Additions Revaluation Rand | Under Construction Rand | Disposals Rand | Closing Balance Rand | Opening Balance Rand | Impairment Rand | Disposals Rand | Closing Balance Rand | Carrying Value Rand | Budget Additions Rand |
|--|----------------------------|----------------------------------|-------------------------------|-------------------|----------------------------|----------------------------|--------------------|-------------------|----------------------------|---------------------------|-----------------------------|
| Infrastructure - In construction | | | | | | | | | | | |
| Water mains & purification | 62,285,434 | - | 66,015,893 | - | 128,301,127 | - | - | - | - | 128,301,127 | - |
| | 62,285,434 | - | 66,015,893 | - | 128,301,127 | - | - | - | - | 128,301,127 | - |
| Infrastructure | | | | | | | | | | | |
| Sewerage Mains & Purf | 18,942,489 | - | - | - | 18,942,489 | - | - | - | - | 18,942,489 | - |
| Electricity Mains | 2,419,402 | - | - | - | 2,419,402 | - | - | - | - | 2,419,402 | - |
| Water Mains & Purification | 33,824,260 | - | - | - | 33,824,260 | - | - | - | - | 33,824,260 | - |
| Waste Site Empangeni | 23,810,193 | - | - | - | 23,810,193 | - | - | - | - | 23,810,193 | - |
| Waste Site Empangeni - Land | - | 2,898,979 | - | - | 2,898,979 | - | - | - | - | 2,898,979 | - |
| | 78,996,344 | 2,898,979 | - | - | 81,895,323 | - | - | - | - | 81,895,323 | - |
| Other assets - In construction | | | | | | | | | | | |
| Cemetery - Buildings | 243,833 | - | 140,850 | - | 384,683 | - | - | - | - | 384,683 | - |
| | 243,833 | - | 140,850 | - | 384,683 | - | - | - | - | 384,683 | - |
| Other property, plant and equipment | | | | | | | | | | | |
| Furniture & Fittings & Office Equipment | 2,617,121 | 2,256,460 | - | 345,799 | 4,527,782 | - | - | 944,890 | 944,890 | 3,582,892 | - |
| Motor vehicles | 1,607,224 | 6,959,159 | - | 72,084 | 8,394,289 | - | - | 1,276,741 | 1,276,741 | 7,117,558 | - |
| Computer equipment | 4,360,466 | 1,082,200 | - | 500,763 | 4,941,902 | - | - | 1,201,408 | 1,201,408 | 3,740,494 | - |
| Buildings | 12,165,534 | 2,113,411 | - | - | 14,278,945 | - | - | - | - | 14,278,945 | - |
| Technical Equipment | 26,754 | - | - | - | 26,754 | - | - | - | - | 26,754 | - |
| Permanent Works - Buildings | 496,049 | - | - | - | 496,049 | - | - | - | - | 496,049 | - |
| Cemetery Land | - | 901,021 | - | - | 901,021 | - | - | - | - | 901,021 | - |
| | 21,273,147 | 13,212,251 | - | 918,646 | 33,566,752 | - | - | 3,423,039 | 3,423,039 | 30,143,713 | - |
| Total | | | | | | | | | | | |
| Infrastructure - In construction | 62,285,434 | - | 66,015,893 | - | 128,301,127 | - | - | - | - | 128,301,127 | - |
| Infrastructure | 78,996,344 | 2,898,979 | - | - | 81,895,323 | - | - | - | - | 81,895,323 | - |
| Other assets - In construction | 243,833 | - | 140,850 | - | 384,683 | - | - | - | - | 384,683 | - |
| Other property, plant and equipment | 21,273,147 | 13,212,251 | - | 918,646 | 33,566,752 | - | - | 3,423,039 | 3,423,039 | 30,143,713 | - |
| | 162,798,758 | 16,111,230 | 66,156,543 | 918,646 | 244,147,885 | - | - | 3,423,039 | 3,423,039 | 240,724,846 | - |

APPENDIX D

UTHUNGULU DISTRICT MUNICIPALITY : STATEMENT OF FINANCIAL PERFORMANCE (PER VOTE) AS AT 30 JUNE 2006

| 2005 | 2005 | 2005 | | 2006 | 2006 | 2006 |
|--------------------|--------------------|-------------------|-----------------------------|--------------------|--------------------|-------------------|
| Actual Income | Actual | Surplus/ | Vote | Actual Income | Actual | Surplus/ |
| R | Expenditure | (Deficit) | | R | Expenditure | (Deficit) |
| | R | R | | | R | R |
| - | 18,051,248 | -18,051,248 | Executive & Council | - | 17,954,624 | -17,954,624 |
| 207,629,797 | 12,801,831 | 194,827,966 | Finance & Administration | 182,329,490 | 22,501,964 | 159,827,526 |
| - | 19,545,286 | -19,545,286 | Planning & Development | - | 20,729,549 | -20,729,549 |
| - | 2,994,105 | -2,994,105 | Community & Social Services | - | 5,502,553 | -5,502,553 |
| 6,915,530 | 6,927,044 | -11,514 | Waste Management | 4,352,082 | 8,572,430 | -4,220,348 |
| 2,194,639 | 11,286,487 | -9,091,848 | Waste Water Management | 2,105,678 | 7,300,956 | -5,195,278 |
| 19,186,647 | 75,118,909 | -55,932,262 | Water | 63,644,578 | 106,735,080 | -43,090,502 |
| 3,172,585 | 1,963,427 | 1,209,158 | Electricity | 1,611,340 | 2,570,799 | -959,459 |
| 239,098,198 | 148,686,337 | 90,410,861 | Total | 254,043,168 | 191,867,955 | 62,175,213 |

UTHUNGULU DISTRICT MUNICIPALITY : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2006

| Additions | Under Construction | Closing Balance | Budget | Variance | | Explanation of Significant Variances greater than 5% versus Budget |
|-----------------------------|--------------------|-----------------|-------------|--------------|---------|---|
| | | | | Rand | % | |
| Property, plant & Equipment | | | | | | |
| Executive & Council | 253,637 | - | 9,600,891 | (9,347,254) | (3,685) | Originally the budget included a budget for Shared Services Project, which was operational in nature and extensions to buildings which is included with Finance & Administration (within Property Services) |
| Finance & Administration | 2,755,668 | - | 2,861,958 | (106,290) | (4) | |
| Planning & Development | 79,409 | - | 6,025,000 | (5,945,591) | (7,437) | Included in operational expenditure, as most projects are operational in nature. |
| Community & Social Services | 2,683,603 | 140,850 | 2,083,727 | 740,726 | 26 | The sale agreement for the disaster management centre concluded at the end of June 2006, a deposit was paid and the balance of the contacted amount was paid for in the new financial year. |
| Waste Management | 2,898,979 | - | 8,263,595 | (5,364,616) | (185) | The transfer stations for Msimbazi and Umhlazi have commenced although expenditure has been included in operational cost, due to the nature of the expense. |
| Waste Water | - | - | 18,989,538 | (18,989,538) | - | Included in operational expenditure as Sanitation cost was for VIP toilets which is operational in nature. |
| Water | 5,586,797 | 66,015,693 | 96,046,771 | (24,444,281) | (34) | The balance of the budget includes committed projects, of which expenditure will be incurred in the first quarter of the new financial year. |
| | 14,258,093 | 66,156,543 | 143,871,480 | (63,456,844) | (79) | |

APPENDIX C

ANALYSIS OF FIXED ASSETS

| Actual 2004/2005 | Service | Budget 2006/2006 | Balance at 30/06/2006 | Expenditure 2005/2006 | Written off 2005/2006 | Balance at 30/06/2006 |
|---------------------|------------------------------------|---------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 4,363,452 | RATE & GENERAL SERVICES | 4,341,811 | 66,377,904 | 4,196,667.78 | 108,298.00 | 70,465,264 |
| 4,058,254 | Community Service | 3,770,811 | 42,900,357 | 3,346,887 | 82,900 | 46,164,144 |
| 0 | Civil Defence | 0 | 184,344 | 0 | 0 | 184,344 |
| 0 | Clinic Empathe | 3,694 | 14,029 | 1,618 | 0 | 15,646 |
| 0 | Clinic Glenridge | 28,806 | 0 | 12,380 | 0 | 12,380 |
| 0 | Clinic Sibongile | 7,341 | 80,945 | 8,623 | 0 | 89,568 |
| 0 | Clinic Sithembile | 0 | 15,224 | 25,810 | 0 | 41,034 |
| 5,563 | Computer | 320,000 | 3,259,320 | 124,877 | 0 | 3,383,997 |
| 0 | Council General | 0 | 2,698,518 | 0 | 0 | 2,698,518 |
| 0 | Drains & Kerbs | 200,000 | 4,337,442 | 5,107 | 0 | 4,342,549 |
| 0 | Forrestdale Administration | 0 | 180,095 | 0 | 0 | 180,095 |
| 0 | Glencoe Administration | 3,000 | 14,007 | 2,170 | 0 | 16,177 |
| 0 | Health Administration | 0 | 103,771 | 0 | 0 | 103,771 |
| 19,791 | Library Dundee | 3,000 | 949,435 | 1,523 | 0 | 950,958 |
| 16,012 | Library Glencoe | 3,500 | 24,355 | 3,610 | 0 | 27,964 |
| 57,528 | Library Sibongile | 2,470 | 125,535 | 3,470 | 0 | 129,005 |
| 0 | Library Mckenzie Street | 0 | 45,744 | 0 | 0 | 45,744 |
| 0 | Library Wasbank | 2,400 | 1,672 | 1,991 | 0 | 3,662 |
| 0 | Mechanical Workshop | 0 | 280,910 | 0 | 0 | 280,910 |
| 8,647 | Mechanical Yard Dundee | 0 | 8,647 | 0 | 0 | 8,647 |
| 9,474 | Municipal Manager | 0 | 9,474 | 0 | 0 | 9,474 |
| 0 | Peacevale Administration | 0 | 493,723 | 0 | 0 | 493,723 |
| 3,738,384 | Roads | 3,159,100 | 26,967,471 | 3,128,798 | 41,302 | 30,054,967 |
| 0 | Stores | 0 | 80,567 | 0 | 0 | 80,567 |
| 0 | Sibongile Administration | 0 | 0 | 0 | 0 | 0 |
| 0 | Town Engineer | 0 | 868,677 | 0 | 0 | 868,677 |
| 0 | Town Secretary | 24,000 | 249,273 | 0 | 12,315 | 236,958 |
| 2,856 | Town Treasurer | 5,300 | 780,767 | 21,598 | 0 | 802,365 |
| 200,000 | Traffic | 8,200 | 1,146,412 | 5,313 | 29,283 | 1,122,442 |
| 194,911 | Subsidised services | 553,000 | 6,336,380 | 568,721 | 600 | 6,902,511 |
| 0 | Aerodrome | 0 | 86,762 | 0 | 0 | 86,762 |
| 0 | Caravan Park | 0 | 49,058 | 0 | 0 | 49,058 |
| 0 | Cemetery Dundee | 215,000 | 150,829 | 153,335 | 0 | 304,164 |
| 8,298 | Cemetery Glencoe | 15,000 | 16,813 | 82,165 | 0 | 98,978 |
| 0 | Cemetery Sibongile | 0 | 239,530 | 0 | 0 | 239,530 |
| 0 | Cemetery Sithembile | 0 | 8,700 | 0 | 0 | 8,700 |
| 0 | Cemetery Wasbank | 5,500 | 8,700 | 0 | 0 | 8,700 |
| 32,807 | Civic Centre | 250,000 | 888,198 | 271,506 | 0 | 1,159,704 |
| 0 | Fire Brigade | 0 | 424,792 | 0 | 0 | 424,792 |
| 0 | Hassim Cassim Swimming Bath | 0 | 197,174 | 0 | 0 | 197,174 |
| 0 | Municipal Halls Glencoe | 0 | 9,733 | 0 | 0 | 9,733 |
| 0 | Municipal Halls Glenridge | 0 | 10,000 | 0 | 0 | 10,000 |
| 0 | Municipal Halls McKenzie Street | 3,000 | 0 | 7,473 | 0 | 7,473 |
| 0 | Municipal Halls Sibongile | 11,500 | 0 | 2,242 | 0 | 2,242 |
| 0 | Municipal Halls Sithembile | 0 | 5,720 | 0 | 0 | 5,720 |
| 0 | Municipal Halls War Memorial | 3,000 | 205,720 | 0 | 0 | 205,720 |
| 25,401 | Museum | 0 | 1,306,350 | 0 | 0 | 1,306,350 |
| 8,250 | Parks & Gardens Dundee | 50,000 | 1,642,408 | 50,000 | 600 | 1,691,808 |
| 0 | Parks & Gardens Sibongile | 0 | 177,906 | 0 | 0 | 177,906 |
| 19,390 | Parks & Gardens Sithembile | 0 | 19,390 | 0 | 0 | 19,390 |
| 1,860 | Printing Section | 0 | 5,765 | 0 | 0 | 5,765 |
| 0 | Public Conveniences | 0 | 31,728 | 0 | 0 | 31,728 |
| 0 | Sibongile Hostel | 0 | 81,245 | 0 | 0 | 81,245 |
| 0 | Sithembile White Hostel | 0 | 75,645 | 0 | 0 | 75,645 |
| 0 | Staff Housing | 0 | 356,317 | 0 | 0 | 356,317 |
| 98,905 | Street Cleaning | 0 | 107,778 | 0 | 0 | 107,778 |
| 0 | Swimming Bath Sibongile | 0 | 15,643 | 0 | 0 | 15,643 |
| 0 | Swimming Bath Union Street | 0 | 8,486 | 0 | 0 | 8,486 |
| 0 | Wasbank | 0 | 206,000 | 0 | 0 | 206,000 |
| 110,287 | Economic service | 18,000 | 17,141,157 | 282,250 | 24,798 | 17,398,609 |
| 0 | Commonage | 0 | 289,100 | 0 | 20,696 | 268,404 |
| 110,287 | Refuse Removal | 16,000 | 1,891,281 | 280,250 | 4,102 | 2,167,429 |
| 0 | Sewerage Services | 0 | 14,731,693 | 0 | 0 | 14,731,693 |
| 0 | Testing Grounds | 2,000 | 229,083 | 2,000 | 0 | 231,083 |
| 0 | Vehicle Licensing | 0 | 0 | 0 | 0 | 0 |

APPENDIX C

| ANALYSIS OF FIXED ASSETS | | | | | | |
|---------------------------------|------------------------------------|-----------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Actual 2004/2005 | Service | Budget 2006/2006 | Balance at 30/06/2005 | Expenditure 2005/2006 | Written off 2005/2006 | Balance at 30/06/2006 |
| 0 | HOUSING SERVICES | 0 | 6,586,034 | 0 | 0 | 6,586,034 |
| 0 | Letting Schemes | 0 | 983,111 | 0 | 0 | 983,111 |
| 0 | Selling Schemes | 0 | 5,602,924 | 0 | 0 | 5,602,924 |
| 2,279,293 | TRADING SERVICES | 2,631,000 | 27,816,732 | 1,799,916 | 0 | 29,616,647 |
| 0 | Farming | 0 | 0 | 0 | 0 | 0 |
| 2,279,293 | Electricity | 2,631,000 | 19,614,384 | 1,799,916 | 0 | 21,414,300 |
| 0 | Water | 0 | 8,202,348 | 0 | 0 | 8,202,348 |
| 0 | TALANA | 0 | 0 | 0 | 0 | 0 |
| 0 | Assets | 0 | 0 | 0 | 0 | 0 |
| 0 | SIBONGILE SERVICES | 0 | 42,968,511 | 0 | 0 | 42,968,511 |
| 0 | Improvements | 0 | 818,352 | 0 | 0 | 818,352 |
| 0 | Land & Buildings | 0 | 41,725,776 | 0 | 0 | 41,725,776 |
| 0 | Plant & Equipment | 0 | 191,239 | 0 | 0 | 191,239 |
| 0 | Vehicles | 0 | 223,145 | 0 | 0 | 223,145 |
| 104,109 | PUBLIC IMPROVEMENT FUND | 0 | 1,780,143 | 0 | 0 | 1,780,143 |
| 104,109 | Land (Dundee) | 0 | 964,832 | 0 | 0 | 964,832 |
| 0 | Land (Glencoe) | 0 | 825,311 | 0 | 0 | 825,311 |
| 0 | GLENCOE SERVICES | 0 | 60,377,042 | 0 | 65,659 | 60,311,383 |
| 0 | Rate & General | 0 | 53,580,125 | 0 | 65,659 | 53,514,465 |
| 0 | Housing | 0 | 2,013,598 | 0 | 0 | 2,013,598 |
| 0 | Electricity | 0 | 3,828,704 | 0 | 0 | 3,828,704 |
| 0 | Water | 0 | 954,615 | 0 | 0 | 954,615 |
| 0 | RATE & GENERAL SERVICES | 0 | 108,881 | 0 | 0 | 108,881 |
| 0 | Assets written down or disposed of | 0 | 84,995 | 0 | 0 | 84,995 |
| 0 | Redundant Assets | 0 | 0 | 0 | 0 | 0 |
| 0 | Deferred Charges | 0 | 24,886 | 0 | 0 | 24,886 |
| 0 | HOUSING SERVICES | 0 | 907,852 | 0 | 0 | 907,852 |
| 0 | Deferred Charges | 0 | 907,852 | 0 | 0 | 907,852 |
| 0 | ELECTRICITY SERVICES | 0 | 2,776 | 0 | 0 | 2,776 |
| 0 | Assets written down or disposed of | 0 | 2,776 | 0 | 0 | 2,776 |
| 0 | WATER SERVICES | 0 | 873 | 0 | 0 | 873 |
| 0 | Assets written down or disposed of | 0 | 873 | 0 | 0 | 873 |
| 6,746,855 | TOTAL FIXED ASSETS | 6,972,811 | 206,927,748 | 5,995,574 | 173,957 | 212,749,364 |
| | LESS: LOANS REDEEMED AND OTHER | | | | | |
| | CAPITAL RECEIPTS | | 159,705,443 | 7,866,574 | 173,957 | 167,398,060 |
| | NET FIXED ASSETS | | 47,222,304 | -1,871,001 | 0 | 45,351,304 |

APPENDIX D

ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2006

| Actual 2004/2005 | | Actual 2005/2006 | Budget 2005/2006 |
|---------------------|--|---------------------|---------------------|
| | INCOME | | |
| 6,117,733 | Government-and provincial grants and subsidies | 8,891,328 | 10,452,253 |
| 22,839,256 | Income from Rates | 24,550,370 | 23,817,380 |
| 56,928,788 | Income from tariffs, service, etc. | 41,071,606 | 39,436,585 |
| 2,713,336 | Interest earned | 2,460,590 | 2,717,500 |
| 1,269,652 | Other | 1,208,894 | 1,281,338 |
| 89,868,766 | | 78,182,788 | 77,705,056 |
| | EXPENDITURE | | |
| 30,369,179 | Salaries and allowances | 30,470,901 | 31,725,522 |
| 29,819,092 | General expenses | 30,004,721 | 28,137,323 |
| 1,866,898 | Repairs and maintenance | 2,800,179 | 2,385,192 |
| 8,527,075 | Capital charges | 8,546,050 | 8,839,520 |
| 3,832,260 | Contributions to fixed assets | 3,469,614 | 3,731,970 |
| 3,318,812 | Contributions | 3,637,662 | 4,033,560 |
| 77,733,316 | Gross Expenditure | 78,929,128 | 78,853,087 |
| -694,349 | Less: Amounts charged out | -752,946 | -1,154,465 |
| 77,038,967 | Nett Expenditure | 78,176,182 | 77,698,622 |

APPENDIX E

DETAILED INCOME STATEMENT FOR THE YEAR ENDED

30 JUNE 2006

| 2004/2005 ACTUAL INCOME | 2004/2005 ACTUAL EXPEND | 2004/2005 ACTUAL SURPLUS/ (DEFICIT) | | 2005/2006 ACTUAL INCOME | 2005/2006 ACTUAL EXPEND | 2005/2006 ACTUAL SURPLUS/ (DEFICIT) | 2005/2006 BUDGET SURPLUS/ (DEFICIT) |
|-------------------------------|-------------------------------|--|--|-------------------------------|-------------------------------|--|--|
| 49,230,976 | 46,539,616 | 2,691,360 | RATE & GENERAL SERVICES | 48,911,951 | 49,207,387 | -295,437 | -2,943,134 |
| 36,977,274 | 31,986,311 | 4,990,963 | COMMUNITY SERVICES | 38,909,653 | 34,476,861 | 4,432,792 | 2,556,252 |
| 29,274,288 | 1,511,089 | 27,763,199 | Assessment Rates | 30,689,833 | 1,529,363 | 29,160,470 | 27,512,224 |
| 0 | 852,241 | -852,241 | Civil Defence | 0 | 1,279,295 | -1,279,295 | -1,193,335 |
| 0 | -13,210 | 13,210 | Computer | 0 | 489,023 | -489,023 | -538,250 |
| 2,361,728 | 3,371,695 | -1,009,967 | Council General | 1,899,964 | 3,450,399 | -1,550,435 | -1,146,573 |
| 0 | 144,280 | -144,280 | Grants-in-aid | 0 | 101,839 | -101,839 | -235,000 |
| 2,742,798 | 2,954,609 | -211,811 | Health Department | 2,379,590 | 2,663,059 | -283,469 | -74,348 |
| 831,861 | 1,637,908 | -706,047 | Libraries | 1,593,772 | 1,767,898 | -174,126 | -166,561 |
| 0 | 3,480,053 | -3,480,053 | Town Secretary | 15,500 | 3,807,297 | -3,791,797 | -3,659,461 |
| 409,715 | 1,146,002 | -736,286 | Town Treasurer | 428,921 | 2,678,243 | -2,249,322 | -2,451,334 |
| 37,014 | 2,250,196 | -2,213,182 | Town Engineer | 33,127 | 2,239,288 | -2,206,161 | -2,158,309 |
| 0 | 636,738 | -636,738 | Mechanical Workshop | 0 | 636,109 | -636,109 | -286,832 |
| 0 | 10,079,423 | -10,079,423 | Roads | 100,000 | 9,587,583 | -9,487,583 | -9,321,901 |
| 0 | 411,598 | -411,598 | Drains & Kerbs | 0 | 495,287 | -495,287 | -688,531 |
| 1,184,514 | 2,430,187 | -1,245,673 | Traffic | 1,762,049 | 2,351,959 | -589,909 | -1,675,594 |
| 0 | 203,222 | -203,222 | Mechanical Yard | 0 | 180,125 | -180,125 | -176,996 |
| 0 | 26,091 | -26,091 | Forrestdale Admin | 0 | 18,572 | -18,572 | -27,064 |
| 33,683 | 546,831 | -513,148 | Sibongile, Glencoe & Wasbank Admin | 6,580 | 1,019,477 | -1,012,897 | -955,007 |
| 1,671 | 207,357 | -205,686 | Peacevale Admin | 317 | 182,044 | -181,728 | -200,876 |
| 1,237,290 | 7,224,613 | -5,987,323 | SUBSIDISED SERVICES | 2,651,550 | 7,709,533 | -5,057,982 | -5,135,345 |
| 2,094 | 51,678 | -49,584 | Aerodrome | 1,803 | 46,722 | -44,919 | -51,786 |
| 839,915 | 1,352,634 | -512,719 | Cemeteries | 1,585,498 | 1,608,462 | -22,964 | 0 |
| 9,744 | 316,639 | -306,895 | Municipal buildings | 10,498 | 322,215 | -311,717 | -381,340 |
| 173,108 | 905,631 | -732,523 | Museum | 192,781 | 931,684 | -738,903 | -741,961 |
| 62,808 | 965,807 | -903,000 | Municipal halls | 45,427 | 1,054,601 | -1,009,173 | -999,344 |
| 2 | 2,955,430 | -2,955,428 | Parks & Gardens | 1,002 | 3,112,753 | -3,111,751 | -2,847,041 |
| 0 | 16,650 | -16,650 | Swimming Bath Dundee & Glencoe | 0 | 10,613 | -10,613 | -10,615 |
| 3,389 | 128,149 | -124,761 | Swimming Bath Sibongile | 789 | 163,096 | -162,307 | -139,144 |
| 0 | -250,577 | 250,577 | Stores | 0 | -452,832 | 452,832 | 61,827 |
| 146,231 | 127,679 | 18,551 | Staff Housing | 123,081 | 168,822 | -45,741 | -25,921 |
| 0 | 654,893 | -654,893 | Street Cleaning | 690,670 | 743,396 | -52,726 | 0 |
| 11,016,412 | 7,328,692 | 3,687,720 | ECONOMIC SERVICES | 7,350,747 | 7,020,994 | 329,753 | -364,041 |
| 556,506 | 441,740 | 114,765 | Vehicle licencing | 596,402 | 487,751 | 108,651 | 40,544 |
| 1,096,550 | 1,405,929 | -309,379 | Testing grounds | 1,335,089 | 1,381,408 | -46,320 | -641,902 |
| 4,085,339 | 4,053,849 | 31,490 | Refuse removal | 5,097,415 | 5,146,847 | -49,432 | 20,126 |
| 5,019,862 | 1,421,846 | 3,598,016 | Sewage services | 0 | 0 | 0 | 0 |
| 256,155 | 5,328 | 252,827 | Commonage | 321,841 | 4,988 | 316,853 | 217,191 |
| 1,581,725 | 1,887,799 | -306,074 | HOUSING SERVICES | 874,865 | 829,660 | 45,205 | 174,911 |
| 1,581,725 | 1,887,799 | -306,074 | Economic housing | 874,865 | 829,660 | 45,205 | 174,911 |
| 39,056,065 | 26,520,999 | 12,535,065 | TRADING SERVICES | 28,395,972 | 26,029,831 | 2,366,141 | 4,907,657 |
| 27,982,609 | 24,670,396 | 3,312,214 | Electricity service | 28,395,972 | 26,029,831 | 2,366,141 | 4,907,657 |
| 11,073,455 | 1,850,604 | 9,222,852 | Water service | 0 | 0 | 0 | 0 |
| 89,868,766 | 74,948,414 | 14,920,351 | TOTAL | 78,182,788 | 76,066,879 | 2,115,909 | 2,139,434 |
| | | -3,344,579 | Appropriations | | | -15,926,019 | 0 |
| | | -2,080,553 | CDF Contributions | | | -2,109,303 | -2,133,000 |
| | | 12,829,798 | Surplus/(Deficit) for the year | | | 6,606 | 6,434 |
| | | 9,290,416 | Surplus/(Deficit)begining of year | | | 18,775,635 | 18,775,635 |
| | | | Unappropriated Surplus/Accumulated Deficit | | | 2,856,222 | 18,782,069 |
| | | 18,775,635 | at end of year | | | | |
| | | <u>18,775,635</u> | Total Surplus 30/06/2006 | | | <u>2,856,222</u> | <u>18,782,069</u> |

APPENDIX F : STATISTICAL INFORMATION

| GENERAL STATISTICS | 2005/2006 | 2004/2005 | 2003/2004 | 2002/2003 | 2001/2002 |
|---|-----------|-----------|-----------|-----------|-----------|
| Population | 51101 | 51075 | 51075 | 44417 | 34674 |
| Number of registered voters | 21149 | 20596 | 20736 | 17792 | 11246 |
| Area (km ²) | 1612.58 | 1612.58 | 1612.58 | 1612.58 | 39 |
| TOTAL VALUATIONS : | | | | | |
| - Rateable (R million) | 632 | 625 | 622 | 622 | 618 |
| - Non-rateable (R million) | 59 | 59 | 59 | 58 | 56 |
| - Residential (R million) | 394 | 386 | 386 | 386 | 370 |
| - Commercial (R million) | 238 | 236 | 236 | 236 | 248 |
| VALUATION DATE : 1 JANUARY 1998 | | | | | |
| NUMBER OF STANDS : | | | | | |
| - Residential | 7712 | 7390 | 7330 | 7003 | 6482 |
| - Commercial | 932 | 764 | 964 | 964 | 928 |
| ASSESSMENT RATE : | | | | | |
| - Basic (per Rand) | 36.670 | 34.910 | 33.090 | 33.090 | 30.350 |
| - Rebate : Residential | 20% | 20% | 20% | 20% | 20% |
| - Additional rebate : Pensioners, etc. | 30% | 30% | 30% | 30% | 30% |
| Number of employees | 295 | 314 | 325 | 445 | 430 |
| CLEANSING | | | | | |
| Km Travelled | 101380 | 124078 | 73862 | 72650 | 70800 |
| Refuse removed (m3) | 69379 | 71794 | 72587 | 57994 | 93348 |
| Cost per m3 removed | R71.94 | R58.08 | R48.87 | R57.35 | R36.74 |
| Income per m3 removed | R59.22 | R56.90 | R53.34 | R56.23 | R30.80 |
| SEWERAGE | | | | | |
| Sewerage purified (MI) | 0 | 0 | 0 | 2810 | 3464 |
| Cost per MI purified | 0 | 0 | 0 | 1548 | 836 |
| Income per MI purified | 0 | 0 | 0 | 2096 | 1661 |
| ELECTRICITY | | | | | |
| Units (kWh) purchased ('000) | 85562 | 82910 | 79194 | 76832 | 76557 |
| Purchase cost per kWh | 11.56 | 12.44 | 12.92 | 12.15 | 11.89 |
| Units (kWh) sold ('000) | 73924 | 72265 | 69413 | 67587 | 66531 |
| Units (kWh) lost in distribution ('000) | 11638 | 10645 | 9780 | 9245 | 10166 |
| Percentage loss in distribution | 13.60 | 12.84 | 12.34 | 12.03 | 13.28 |
| Cost per unit (kWh) sold | 38.72 | 37.97 | 32.16 | 29.85 | 24.12 |
| Income per unit (kWh) sold | 27.73 | 27.33 | 27.69 | 28.25 | 28.21 |
| WATER | | | | | |
| Kl purchased ('000) | 0 | 0 | 0 | 3887 | 3357 |
| Purchase cost per kl | R0.00 | R0.00 | R0.00 | R1.60 | R1.28 |
| Kl sold ('000) | 0 | 0 | 3308 | 3427 | 2701 |
| Kl lost in distribution ('000) | 0 | 0 | 0 | 459 | 655 |
| Percentage loss in distribution | 0.00 | 0.00 | 0.00 | 11.81 | 22.49 |
| Cost per kl sold | 0 | 0 | 0 | | |
| Income per kl sold | 0.00 | 0.00 | 3.66 | 2.05 | 2.88 |

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

June 2006

| Name of Grants & Vote | Name of organ of state or municipal entity | Quarterly Receipts | | | | | Quarterly Expenditure | | | | | Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act | Reason for non-compliance |
|--|--|--------------------|---------|---------|-----------|------------|-----------------------|---------|---------|---------|-----------|--|---------------------------|
| | | Mar 05 | June 05 | Sept 05 | Dec 05 | Mar 06 | Mar 06 | June 06 | Sept 06 | Dec 06 | Mar 06 | | |
| Disaster Management Grant (CS) | DTLGA | 640,000 | - | - | - | - | - | - | - | - | - | Yes | |
| Facilitation assessment service | DTLGA | 385,000 | - | - | - | - | - | - | - | - | - | Yes | |
| Delivery (Water) | DTLGA | 301,000 | - | - | - | - | - | - | - | - | 200,000 | Yes | |
| Facilitation backlog study (Water) | DTLGA | 200,000 | - | - | - | - | - | - | - | - | 200,000 | Yes | |
| MIP (Water) | DTLGA | - | 200,000 | - | - | - | - | - | - | - | - | Yes | |
| Integrated waste grant (Waste Management) | DTLGA | - | - | - | - | 4,870,000 | - | - | - | - | 27,060 | Yes | |
| Drought relief (Water) | KZN - DSR | - | - | - | - | 1,000,000 | - | - | - | - | 234,860 | Yes | |
| Bucanara sports field (CS) | KZN - DSR | - | - | - | 375,000 | - | - | - | - | - | - | Yes | |
| Nkandla sports field (CS) | KZN - DSR | - | - | - | 500,000 | - | - | - | - | - | - | Yes | |
| Nkandla swimming pool (CS) | KZN - DSR | - | - | - | 50,000 | - | - | - | - | - | - | Yes | |
| Annual IDP Review (Planning) | DTLGA | - | - | - | - | 450,000 | - | - | - | - | - | Yes | |
| Facilitation assessment service | DTLGA | - | - | - | - | - | - | - | - | - | - | Yes | |
| delivery (Water) | DTLGA | - | - | - | 40,000 | - | - | - | - | - | - | Yes | |
| Performance management assistance (Planning) | DTLGA | - | - | - | 50,000 | - | - | - | - | - | - | Yes | |
| Planning capacity building (Planning) | DTLGA | - | - | - | - | - | - | - | - | - | - | Yes | |
| Shared services unit (CS) | DTLGA | - | - | - | - | 3,200,000 | - | - | - | - | 640,890 | Yes | |
| Water services delivery plan grant (Water) | DTLGA | - | - | - | - | 231,000 | - | - | - | - | - | Yes | |
| Opindweni DWAF Funding (Water) | DWAF | - | - | - | - | 1,608,000 | - | - | - | - | - | Yes | |
| Subsidy for water services works (Water) | DWAF | - | - | - | - | 62,000 | - | - | - | - | - | Yes | |
| Uthungulu master plan (Water) | DWAF | - | - | - | - | 500,000 | - | 263,903 | - | - | - | Yes | |
| PIMMS (Planning) | National Govt | - | - | - | 1,000,000 | - | - | 61,612 | - | - | - | Yes | |
| | | 1,526,000 | 200,000 | - | 2,015,000 | 11,921,000 | 325,515 | 882,366 | 211,297 | 280,136 | 1,623,611 | | |

Note: (No Grants & Subsidies were delayed / withheld)

This excludes allocations from the Equitable Share.

DTLGA = Department of Traditional & Local Government Affairs, KZN-DSR= Kwa-Zulu Natal - Department of Sport & Recreation, DWAF = Department of Water & Forestry Affairs, CS = Corporate Services

APPENDIX E(1)
 UTHUNGULU DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2006

| REVENUE | 2006 Actual (R) | 2006 Budget (R) | 2006 Variance (R) | 2006 Variance (%) | Explanation of Significant Variances greater than 10% versus Budget |
|---|--------------------|--------------------|----------------------|----------------------|---|
| Service charges | 21,897,803 | 18,386,750 | 3,511,053 | 19% | Due to increased water consumption. |
| Regional Services Levies - turnover | 67,651,301 | 57,369,077 | 10,282,224 | 18% | Due to the higher than expected growth in the district. |
| Regional Services Levies - remuneration | 23,120,058 | 21,470,923 | 1,649,135 | 8% | Due to the higher than expected growth in the district. |
| Rental of facilities and equipment | 749,519 | 657,067 | 92,452 | 14% | Rental contracts were extended. |
| Interest earned - external investments | 13,620,006 | 10,324,000 | 3,296,006 | 32% | Increased investments due to increase in levy collection |
| Interest earned - outstanding debtors | 686,162 | 1,296,215 | -610,053 | -47% | Dependent on the applicability of the debt and collection bylaws. |
| Government grants and subsidies | 124,839,136 | 131,579,125 | -6,739,989 | -5% | Local Government SETA refunds were not in the original budget. |
| Other income | 1,479,183 | 1,024,050 | 455,133 | 44% | |
| Total Revenue | 254,043,168 | 242,107,207 | 11,935,961 | 5% | |
| EXPENDITURE | | | | | |
| Executive & Council | 17,954,624 | 20,482,807 | -2,528,183 | -12% | The Shared Service Centre commenced later than anticipated. |
| Finance & Administration | 22,501,964 | 23,612,608 | -1,110,644 | -5% | Operational projects were delayed with their commencement |
| Planning & Development | 20,728,549 | 37,651,803 | -17,122,254 | -45% | Operational projects were delayed with their commencement |
| Community & Social Services | 5,502,553 | 6,621,015 | -1,118,462 | -17% | Operational projects were delayed with their commencement |
| Waste Management | 8,572,430 | 13,443,997 | -4,871,567 | -36% | Operational projects were delayed with their commencement |
| Water | 106,735,080 | 145,485,154 | -38,750,074 | -27% | Provision was made for depreciation on water infrastructure assets, which will now only occur for the year ended 30th June 2007 |
| Electricity | 2,570,799 | 2,988,636 | -417,837 | -14% | Delay in the appointment of the maintenance contractor. |
| Other - Waste Water | 7,300,956 | 1,004,196 | 6,296,760 | 627% | Sanitation projects (WSP) were operational in nature and could not be capitalised. |
| Total Expenditure | 191,867,955 | 251,490,216 | -59,622,261 | -24% | |
| NET SURPLUS/(DEFICIT) FOR THE YEAR | 62,175,213 | -9,383,009 | 71,558,222 | | |

UTHUNGULU DISTRICT MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008
Accumulated Depreciation

| | Cost/Revaluation | | Disposals | | Impairment | | Closing Balance | | Carrying Value | |
|-----------------------------|----------------------|-------------------------------|-------------------------|---------|----------------------|-----------|-----------------|-----------|----------------|------|
| | Opening Balance Rand | Additions & Revaluations Rand | Under Construction Rand | Rand | Opening Balance Rand | Rand | Rand | Rand | Rand | Rand |
| Executive & Council | 3,772,549 | 555,207 | - | 470,574 | 3,857,182 | 445,395 | - | 445,395 | 3,411,787 | |
| Finance & Admin | 14,435,773 | 3,140,218 | - | 375,989 | 17,200,002 | 755,918 | - | 755,918 | 16,444,084 | |
| Planning & Development | 75,324 | 79,409 | - | - | 154,733 | - | - | - | 154,733 | |
| Community & Social Services | 188,544 | 2,797,432 | 384,684 | - | 3,370,660 | 80,725 | - | 80,725 | 3,289,935 | |
| Waste Management | 23,810,192 | 2,898,979 | - | - | 26,709,171 | - | - | - | 26,709,171 | |
| Water | 38,814,039 | 6,639,984 | 128,301,128 | 72,084 | 173,683,087 | 2,140,101 | - | 2,140,101 | 171,542,986 | |
| Electricity | 2,419,402 | - | - | - | 2,419,402 | - | - | - | 2,419,402 | |
| Waste Water | 16,753,668 | - | - | - | 16,753,668 | - | - | - | 16,753,668 | |
| | 100,289,491 | 16,114,239 | 128,685,812 | 918,647 | 244,147,985 | 3,422,139 | - | 3,422,139 | 240,725,746 | |

UTHUNGULU DISTRICT MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008

| Redeemable | Balance at Friday, June 30, 2005 | Received during the period | Redeemed written off during the period | Balance at Friday, June 30, 2008 | Carrying Value of Property, Plant & Equip | Other Costs in accordance with the MFMA |
|-----------------------------|----------------------------------|----------------------------|--|----------------------------------|---|---|
| Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| LONG-TERM LOANS | | | | | | |
| ANNUITY LOAN | | | | | | |
| INCA @ 16.8 % | 178,022 | - | 62,737 | 115,285 | - | - |
| INCA @ 13.95 % | 21,000,000 | - | - | 21,000,000 | - | - |
| DBSA @ 8 % | 87,868 | - | 87,868 | - | - | - |
| DBSA @ 17.2 % | 386,949 | - | 386,949 | - | - | - |
| | 21,652,839 | - | 537,554 | 21,115,285 | - | - |
| TOTAL EXTERNAL LOANS | | | | | | |
| ANNUITY LOAN | | | | | | |
| | 21,652,839 | - | 537,554 | 21,115,285 | - | - |
| | 21,652,839 | - | 537,554 | 21,115,285 | - | - |

uThungulu District Municipality

Annual Financial Statements for the year ended June 30, 2006

Notes to the annual financial statements

| Figures in Rand | 2006 | 2005 |
|-----------------|------|------|
|-----------------|------|------|

29. Additional disclosure in terms of Municipal Finance Management Act

29.1 Contributions to organized local government

| | | |
|--|-----------|-----------|
| Council subscriptions | 243,105 | 156,824 |
| Amount paid - current year | (243,105) | (156,824) |
| Balance unpaid (included in creditors) | - | - |

29.2 Audit fees

| | | |
|--|-------------|-----------|
| Current year audit fee | 1,294,487 | 678,519 |
| Amount paid - current year | (3,908) | - |
| Amount paid - previous years | (1,290,579) | (678,519) |
| Balance unpaid (Included in creditors) | - | - |

29.3 VAT

VAT inputs receivables and VAT outputs receivables are shown in note 9. All VAT returns have been submitted by the due date throughout the year.

29.4 PAYE and UIF

| | | |
|--|-------------|-------------|
| Current year payroll deductions | 6,773,294 | 5,769,649 |
| Amount paid - current year | (6,773,294) | (5,769,649) |
| Balance unpaid (Included in creditors) | - | - |

29.5 Pension and Medical Aid Deductions

| | | |
|---|-------------|-------------|
| Current year payroll deductions and Council Contributions | 5,936,791 | 3,629,665 |
| Amount paid - current year | (5,936,791) | (3,629,665) |
| Balance unpaid (Included in creditors) | - | - |

30. Commitments

Commitments in respect of capital expenditure:

- Approved and contracted for

| | | |
|---------------------------------------|-------------------|------------------|
| • Infrastructure | 20,290,886 | 6,800,000 |
| • Other property, plant and equipment | 2,517,380 | - |
| | 22,808,266 | 6,800,000 |

This expenditure will be financed from:

| | | |
|---------------------|------------|-----------|
| - Government Grants | 1,789,178 | - |
| - Own resources | 21,019,088 | 6,800,000 |

uThungulu District Municipality

Annual Financial Statements for the year ended June 30, 2006

Notes to the annual financial statements

| Figures in Rand | 2006 | 2005 |
|-----------------|------|------|
|-----------------|------|------|

Other 5 (continued)

Remuneration of Individual Executive Directors

Technical Services

| | | |
|---|----------------|----------------|
| Basic | 553,264 | 344,057 |
| Bonus | 32,208 | 34,108 |
| Car allowance | 140,579 | 129,661 |
| Contributions to UIF, Medical and Pension funds | 1,252 | 81,708 |
| | 727,303 | 589,534 |

Corporate Services

| | | |
|----------------------|----------------|----------------|
| Basic | 535,144 | 493,801 |
| Bonus | 87,798 | 36,670 |
| Car allowance | 156,435 | 163,800 |
| Contributions to UIF | 1,252 | 1,093 |
| | 780,629 | 695,419 |

Chief Financial Officer

| | | |
|---|----------------|----------------|
| Basic | 575,369 | 378,840 |
| Bonus | 32,932 | 34,108 |
| Car Allowance | 133,613 | 131,091 |
| Contributions to UIF, Medical and Pension funds | 1,252 | 62,628 |
| | 743,166 | 606,667 |

23. Remuneration of councillors

Total Councillors' Remuneration

| | | |
|-----------------------------------|------------------|------------------|
| Mayor | 495,706 | 539,312 |
| Deputy Mayor | 67,872 | 203,165 |
| Speaker | 320,542 | 359,400 |
| Executive councillors | 1,467,305 | 1,586,000 |
| Councillors | 1,527,637 | 1,176,713 |
| Councillors' pension contribution | 248,762 | 180,743 |
| | 4,127,824 | 4,045,374 |

In-kind Benefits:

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council which is included with other expenditure in the Statement of Financial Performance.

The Mayor has use of a Council owned vehicle for official duties.

The Mayor has a full-time bodyguard and driver.

24. Interest Paid

| | | |
|-----------------------|-----------|-----------|
| Long-term liabilities | 3,026,426 | 3,069,199 |
|-----------------------|-----------|-----------|

uThungulu District Municipality

Annual Financial Statements for the year ended June 30, 2006

Notes to the annual financial statements

| Figures in Rand | 2006 | 2005 |
|---|-------------------|-------------------|
| 19.5 Department of Provincial and Local Government | | |
| Balance unspent at the beginning of year | 6,049,274 | 5,271,792 |
| Current year receipts | 5,209,702 | 61,879,804 |
| Conditions met - transferred to revenue | (9,389,757) | (61,102,322) |
| Conditions to be met - transferred to liabilities | 1,869,219 | 6,049,274 |
| The Department of Provincial and Local Government grants are used : | | |
| :- To build capacity within the District in order to perform functions as per legislature. | | |
| :- For drought and flood relief and infrastructure. | | |
| 19.6 Department of Traditional and Local Government Affairs | | |
| Balance unspent at the beginning of the year | 12,448,790 | 6,435,712 |
| Current year receipts | 4,878,241 | 7,270,967 |
| Conditions met - transferred to revenue | (6,233,451) | (1,257,887) |
| Conditions to be met - transferred to liabilities | 11,093,580 | 12,448,789 |
| The Department of Traditional and Local Government grants are used : | | |
| :- To build capacity within the District in order to perform functions as per legislature. | | |
| :- For disaster programmes, water service delivery planning, shares services unit and infrastructure. | | |
| 19.7 Department of Water and Forestry | | |
| Balance unspent at the beginning of the year | 1,106,389 | (287,937) |
| Current year receipts | 7,048,524 | 14,889,867 |
| Conditions met - transferred to revenue | (857,509) | (13,495,560) |
| Conditions to be met - transferred to liabilities | 7,297,384 | 1,106,370 |
| The Department of Water Affairs and Forestry are used for: | | |
| :- Water infrastructure and sanitation projects | | |
| :- Drought relief and disaster relief programmes. | | |
| 19.8 Department of Transport (Kwa-Zulu Natal) | | |
| Balance unspent at the beginning of the year | 288,210 | 294,341 |
| Current year receipts | - | 300,000 |
| Conditions met - transferred to revenue | (174,440) | (306,130) |
| Conditions to be met - transferred to liabilities | 113,770 | 288,210 |
| The Department of Transport Grant is used for: | | |
| :- The development of the Public Transport Plan. | | |
| 19.9 National Treasury - Other grants | | |
| Balance unspent at the beginning of the year | 965,636 | 1,189,882 |
| Current year receipts | 1,000,000 | - |
| Conditions met - transferred to revenue | (1,148,408) | (224,248) |
| Conditions met - transferred to liabilities | 817,228 | 965,636 |
| The National Treasury - Other Grants are used for: | | |
| :- To promote and support reforms to municipal financial management and the implementation of the Municipal Finance Management Act. | | |
| :- To assist the municipality to perform their functions and stabilise institutional and government systems as required in the Municipal Systems Act. | | |

uThungulu District Municipality

Annual Financial Statements for the year ended June 30, 2006

Notes to the annual financial statements

| Figures in Rand | 2006 | 2005 |
|-----------------|------|------|
|-----------------|------|------|

17. Bank balances and cash (continued)

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position :

| | | |
|---|-------------|------------|
| Cash book balance at beginning of year | 27,778,700 | 68,654,484 |
| Cash book balance at end of year | 91,843,388 | 27,778,700 |
| Bank statement balance at beginning of year | 35,574,906 | 68,620,638 |
| Bank statement balance at end of year | 100,183,846 | 35,574,906 |

18. Service charges

| | | |
|---------------------------------|-------------------|-------------------|
| Sales of electricity | 1,475,981 | 1,367,469 |
| Sales of water | 14,044,067 | 10,796,407 |
| Refuse removal | 4,305,777 | 3,922,510 |
| Sewerage and sanitation charges | 2,071,978 | 1,985,900 |
| | <u>21,897,803</u> | <u>18,072,283</u> |

19. Government grants and subsidies

| | | |
|---|--------------------|--------------------|
| Equitable share | 41,462,340 | 43,724,684 |
| Municipal Infrastructure Grant and other Capital Grants | 64,573,237 | 75,000,738 |
| Department of Public Works | - | 1,998,349 |
| Department of Sport & Recreation | 999,994 | 78,978 |
| Department of Provincial Local Government | 9,389,757 | 1,030,511 |
| Department of Traditional and Local Government Affairs | 6,233,451 | 2,054,404 |
| Department of Water Affairs and Forestry | 857,509 | 3,730,257 |
| Department of Transport | 174,440 | 306,130 |
| National Government - Other | 1,148,408 | 224,246 |
| | <u>124,839,136</u> | <u>128,148,297</u> |

19.1. Equitable Share

In terms of the Constitution, this grant which is unconditional is used to subsidise the provision of basic services to the communities. These subsidies includes 6 kilo litre free basic water to the entire district with the exception of KZ 282, and 50 kilowatts for electricity, which is provided only in the town of Nkandla.

19.2. Municipal Infrastructure Grant

| | | |
|---|-------------------|-------------------|
| Balance unspent at beginning of year | 14,363,154 | |
| Current year receipts | 69,298,138 | 61,505,178 |
| Conditions met - transferred to revenue | (64,573,239) | (47,142,024) |
| Conditions still to be met - transferred to liabilities | <u>19,088,053</u> | <u>14,363,154</u> |

This grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.

uThungulu District Municipality

Annual Financial Statements for the year ended June 30, 2006

Notes to the annual financial statements

| Figures in Rand | 2006 | 2005 |
|-----------------|------|------|
|-----------------|------|------|

12. Long term receivables (continued)

Study loans were provided to staff prior to 1st July 2004. These loans attract interest per the fringe benefit interest rate as determined by the South African Revenue Services annually.

13. Inventories

| | | |
|---------------------------------------|---------|---------|
| Consumables and maintenance materials | 519,582 | 308,244 |
|---------------------------------------|---------|---------|

14. Consumer debtors

| | <u>Gross Balances</u> | <u>Provision for Bad Debts</u> | <u>Net Balance</u> |
|----------------------------|-----------------------|--------------------------------|--------------------|
| As at June 30, 2006 | | | |
| Service debtors | 12,246,232 | (4,331,008) | 7,915,224 |
| Water | 9,082,696 | (3,073,126) | 6,009,570 |
| Electricity | 138,107 | (32,777) | 105,330 |
| Sanitation | 3,025,429 | (1,225,105) | 1,800,324 |
| Regional Service Levies | 1,952,669 | - | 1,952,669 |
| | 14,198,901 | (4,331,008) | 9,867,893 |

| | | | |
|----------------------------|------------------|--------------------|------------------|
| As at June 30, 2005 | | | |
| Service debtors | 8,202,907 | (3,070,755) | 5,132,152 |
| Water | 5,787,257 | (2,180,236) | 3,607,021 |
| Electricity | 150,776 | (30,708) | 120,068 |
| Sanitation | 2,264,874 | (859,811) | 1,405,063 |
| Regional Service Levies | 1,549,559 | - | 1,549,559 |
| | 9,752,466 | (3,070,755) | 6,681,711 |

(Electricity, Water and Sewerage): Ageing

| | | |
|-----------------------|-------------------|------------------|
| Current (0 – 30 days) | 2,500,077 | 1,451,461 |
| 31 - 60 Days | 1,127,507 | 1,372,740 |
| 61 - 90 Days | 869,795 | 846,076 |
| 91 - 120 Days | 980,197 | 611,452 |
| 121 - 365 Days | 6,768,656 | 3,921,175 |
| | 12,246,232 | 8,202,907 |

Summary of Debtors by Customer Classification

| | <u>Consumers</u> | <u>Industrial/ Commercial</u> | <u>National and Provincial Government</u> |
|-------------------------------|------------------|-------------------------------|---|
| As at June 30, 2005 | | | |
| Current (0 – 30 days) | 1,204,323 | 352,080 | 914,518 |
| 31 - 60 Days | 623,598 | 170,911 | 333,147 |
| 61 - 90 Days | 489,447 | 153,353 | 227,036 |
| 91 - 120 Days | 5,317,076 | 1,219,887 | 1,240,856 |
| Sub-total | 7,634,444 | 1,896,231 | 2,715,557 |
| Less: Provision for bad debts | (3,260,650) | (1,070,358) | - |
| | 4,373,794 | 825,873 | 2,715,557 |

uThungulu District Municipality

Annual Financial Statements for the year ended June 30, 2006

Notes to the annual financial statements

Figures in Rand

2006

2005

10. Property, plant and equipment

| | 2006 | | | 2005 | | |
|--|---------------------|-----------------------------|--------------------|---------------------|-----------------------------|--------------------|
| | Cost / Valuation | Accumulated depreciation | Carrying value | Cost / Valuation | Accumulated depreciation | Carrying value |
| Infrastructure - in construction | 128,301,128 | - | 128,301,128 | 62,285,434 | - | 62,285,434 |
| Infrastructure | 81,895,323 | - | 81,895,323 | 78,996,344 | - | 78,996,344 |
| Other assets - in construction | 384,683 | - | 384,683 | 243,833 | - | 243,833 |
| Other property, plant and equipment | 33,566,751 | (3,423,039) | 30,143,712 | 21,273,147 | - | 21,273,147 |
| Total | 244,147,885 | (3,423,039) | 240,724,846 | 162,798,768 | - | 162,798,758 |

Reconciliation of property, plant and equipment - 2006

| | Opening Balance | Additions | Disposals | Transfers | Revaluations | Impairment loss | Total |
|--|--------------------|-------------------|------------------|-----------------|------------------|--------------------|--------------------|
| Infrastructure - in construction | 62,285,434 | 66,015,694 | - | - | - | - | 128,301,128 |
| Infrastructure | 78,996,344 | 2,898,979 | - | - | - | - | 81,895,323 |
| Other assets - in Construction | 243,833 | 140,850 | - | - | - | - | 384,683 |
| Other property, plant and equipment | 21,273,147 | 11,359,115 | (846,563) | (72,084) | 1,853,136 | (3,423,039) | 30,143,712 |
| | 162,798,758 | 80,414,638 | (846,563) | (72,084) | 1,853,136 | (3,423,039) | 240,724,846 |

Reconciliation of property, plant and equipment - 2005

| | Opening Balance | Additions | Disposals | Transfers | Total |
|--|--------------------|-------------------|------------------|-----------|--------------------|
| Infrastructure - in construction | - | 62,285,434 | - | - | 62,285,434 |
| Infrastructure | 42,283,398 | 6,110,812 | - | (554,217) | 78,996,344 |
| Other assets - in construction | - | 243,833 | - | - | 243,833 |
| Other property, plant and equipment | 49,629,557 | 2,445,180 | (199,455) | 554,217 | 21,273,147 |
| | 91,912,955 | 71,085,259 | (199,455) | - | 162,798,758 |

Refer to Appendix B for more detail on property, plant and equipment, including those in the course of construction.

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality is in the process of itemizing all infrastructure assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2007. Furthermore, the Municipality has assessed whether items of other assets excluding land and buildings are to be impaired.

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4. Retirement benefits

Defined benefit plan

Staff members belong to the Kwa-Zulu Natal Joint Municipal Pension Fund or the Kwa-Zulu Natal Joint Provident Fund and Government Employees Pension Fund. In practice the valuer conducts a full valuation on a triennially basis, and an interim valuation on annual basis. The interim valuation of the fund for the year ending 31 March 2005 indicated a surplus for the past service of R 447,961 million and a surplus for the past period service of R 26,706 million.

The last actuarial valuation of the Municipal Councillors Pension Fund was done on 31 March 2005. This valuation indicated that the fund is in sound financial position.

5. Non-current provisions

Reconciliation of provisions - 2006

| | Opening Balance | Contributions to provision | Total |
|--|--------------------|-------------------------------|-------------------|
| Legal proceedings | 10,870,378 | - | 10,870,378 |
| Long-service | - | 315,375 | 315,375 |
| Performance bonus | - | 535,975 | 535,975 |
| Current portion of long-service provision | - | 922,976 | 922,976 |
| | 10,870,378 | 1,774,326 | 12,644,704 |

Reconciliation of provisions - 2005

| | Opening Balance | Total |
|---|--------------------|-------------------|
| Legal proceedings | 10,870,378 | 10,870,378 |
| Non-current liabilities | 11,185,753 | 10,870,378 |
| Eskom Provision | 2,445,902 | 2,445,902 |
| Promissory Notes Provision | 8,424,476 | 8,424,476 |
| Provision for long-service | 315,375 | - |
| Current liabilities | 1,458,951 | - |
| Current portion of long service leave provision | 922,976 | - |
| Performance bonus | 535,975 | - |
| Total Provisions | 12,644,704 | 10,870,378 |

Legal proceedings include R 8,424,476 for the potential loss of the recoverability of an investment in Promissory notes, as per council resolution No UDMC 1081, and an amount of R 2,445,902 for Eskom, as there is a pending case between Eskom and various District municipalities, due to the applicability of exception for levies prior to January 2000 in terms of section 24 of the Eskom Act No. 40 of 1987.

The long-service award is payable after every 5 years of continuous service. The provision is an estimate of the long-service based on historical staff turnover

Performance bonuses are paid one year in arrears as the assessment of eligible employees had not taken place at the reporting date and no present obligation exists.

6. Consumer deposits

| | | |
|-----------------------|---------|---------|
| Electricity and Water | 782,236 | 724,813 |
|-----------------------|---------|---------|

In terms of councils bylaws no interest is raised or paid.

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2. Changes in accounting policy - Implementation of GAMAP

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GAMAP: -

Statement of Financial Position

Statutory Funds

Balance previously reported: -

| | | |
|---|---|------------|
| Capital Development Fund | - | 4,127,801 |
| Loan Redemption Fund | - | 9,919,939 |
| Project Development Fund - Internal Fund | - | 38,442,498 |
| Project Development Fund - External Funds | - | 35,053,570 |

Implementation of GAMAP: -

| | | |
|--|---|--------------|
| Transferred to the Unspent Conditional Grants | - | (32,237,057) |
| Transferred to Accumulated Surplus/(Deficit) (see below) | - | (55,306,757) |

Loans Redeemed and Other Capital Receipts

Balance previously reported: -

| | | |
|-------------------|---|------------|
| Previously stated | - | 72,771,435 |
|-------------------|---|------------|

Implementation of GAMAP: -

| | | |
|--|---|--------------|
| Transferred to Government Grant Reserve | - | (54,482,751) |
| Transferred to Donations and Public Contribution Reserve | - | (453,410) |
| Transferred to Accumulated Surplus/(Deficit) (see below) | - | (17,835,274) |

Provisions and Reserves

Balance previously reported: -

| | | |
|---------------------------|---|-----------|
| Maintenance Reserve | - | 2,220,492 |
| Panel Support Reserve | - | 387,298 |
| Bursary Reserve | - | 315,808 |
| Asset Acquisition Reserve | - | 7,309,100 |
| Training Levy Reserve | - | 259,870 |
| Building Reserve | - | 83,840 |

Implementation of GAMAP: -

| | | |
|--|---|--------------|
| Transferred to Accumulated Surplus/(Deficit) (see below) | - | (10,576,212) |
|--|---|--------------|

Accumulated Surplus

Balance previously reported: -

| | | |
|-------------------|---|------------|
| Previously stated | - | 56,472,406 |
|-------------------|---|------------|

Implementation of GAMAP: -

| | | |
|--|---|-------------|
| Excessive provisions and reserves no longer permitted (see above) | - | 10,576,212 |
| Transferred from statutory funds (see above) | - | 55,306,757 |
| Transferred from Loans Redeemed and Other Capital Receipts (see above) | - | 17,835,274 |
| | - | 140,190,649 |

Restated surplus for the year

| | | |
|---|---|--------------|
| Previously stated | - | 7,531,860 |
| Reversal of Movements in Funds & Reserves (2004/05) | - | - |
| Bursaries | - | (119,223) |
| Integrated Development Projects Operational Expenditure | - | (40,316,535) |

uThungulu District Municipality

Annual Financial Statements for the year ended June 30, 2006

Accounting Policies

1.9 Revenue Recognition

1.9.1 Revenue from Exchange Transactions

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly and quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse are recognised on a monthly basis in arrears and on a cash basis by applying the approved tariff to each consumer that uses the solid waste site.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognised on a time proportion basis

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised

1.9.2 Revenue from non-exchange transactions

Revenue from Regional Levies, both those based on turnover as well as those based on remuneration, is recognised on the payment due basis. Estimates are reviewed regularly to ensure that average data is appropriate.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.10 Conditional Grants and Receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.11 Provisions

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate.

1.12 Bank balances and cash

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of four months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

uThungulu District Municipality

Annual Financial Statements for the year ended June 30, 2006

Accounting Policies

1. Basis of Presentation

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except for the revaluation of land and buildings, which are carried at fair value.

In accordance with section 122(3) of the Municipal Finance Management Act (Act No. 56 of 2003), the Municipality has adopted Standards of Generally Accepted Municipal Accounting Practice (GAMAP) and Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board during the financial year. Comparative amounts have been restated retrospectively to the extent possible. The effect of the change in accounting policy arising from the implementation of GAMAP and GRAP is set out in Note 2.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP or GRAP.

1.1 Presentation of currency

These annual financial statements are presented in South African Rand.

1.2 Going concern assumption

These annual financial statements have been prepared on a going concern basis.

1.3 Reserves

1.3.1 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular 18) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

1.3.2 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular 18) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

1.3.3 Revaluation Reserve

The surplus arising from the revaluation of infrastructure and other assets is credited to a non-distributable reserve. The revaluation surplus is realised as revalued infrastructure and other assets are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

uThungulu District Municipality
Annual Financial Statements for the year ended June 30, 2006

**Statement of Changes in
Net Assets**

| | Pre-GAMAP Reserves and Funds | Government grant reserve | Donations and public contribution reserves | Revaluation reserve | Total reserves | Accumulated Surplus/ (Deficit) | Total equity |
|---|------------------------------------|-----------------------------|---|------------------------|-------------------|--------------------------------------|--------------|
| Figures in Rand | | | | | | | |
| Balance at July 1, 2004 | 98,120,020 | - | - | - | - | 56,472,406 | 154,592,426 |
| Changes | | | | | | | |
| Implementation of GAMAP (note 2) | (98,120,020) | 54,482,751 | 453,408 | - | 54,936,159 | 115,955,295 | 72,771,434 |
| Change in accounting policy (note 2) | - | - | - | - | - | (32,237,051) | (32,237,051) |
| Restated balance | - | 54,482,751 | 453,408 | - | 54,936,159 | 140,190,649 | 195,125,808 |
| Surplus for the year | - | 6,239,248 | - | - | 6,239,248 | 90,410,861 | 90,410,861 |
| Capital grants used to purchase PPE | - | (121,470) | - | - | (121,470) | (6,239,248) | - |
| Asset Disposals | - | - | - | - | - | 121,470 | - |
| Balance at June 30, 2005 | - | 60,800,529 | 453,408 | - | 61,053,937 | 224,483,732 | 285,537,669 |
| Balance at July 1, 2006 | - | 60,800,529 | 453,408 | - | 61,053,937 | 224,483,732 | 285,537,669 |
| Changes | | | | | | | |
| Capital grants used to purchase PPE | - | 52,805,960 | - | - | 52,805,960 | (52,805,960) | - |
| Net income (expenses) recognised directly in equity | - | 52,805,960 | - | - | 52,805,960 | (52,805,960) | - |
| Profit for the year | - | - | - | - | - | 62,175,213 | 62,175,213 |
| Total recognised income and expenses for the period | - | 52,805,960 | - | - | 52,805,960 | 9,369,253 | 62,175,213 |
| Revaluation of other assets | - | - | - | 1,853,136 | 1,853,136 | - | 1,853,136 |
| Total changes | - | 52,805,960 | - | 1,853,136 | 54,659,096 | 9,369,253 | 64,028,349 |
| Balance at June 30, 2006 | - | 113,406,489 | 453,408 | 1,853,136 | 115,713,033 | 233,852,985 | 349,566,018 |

Note(s)

uThungulu District Municipality

Annual Financial Statements for the year ended June 30, 2006

Statement of Financial Position

| Figures in Rand | Note(s) | 2006 | 2005 |
|--|---------|--------------------|--------------------|
| Net Assets and Liabilities | | | |
| Net Assets | | | |
| Government grant reserve | | 113,406,489 | 60,600,529 |
| Donations and public contribution reserves | | 453,408 | 453,408 |
| Revaluation reserve | | 1,853,138 | - |
| Accumulated Surplus | | 233,852,985 | 224,483,732 |
| | | 349,566,018 | 285,537,669 |
| Non-Current Liabilities | | | |
| Long term liabilities | 3 | 21,041,557 | 21,590,092 |
| Non-current provisions | 5 | 11,185,753 | 10,870,378 |
| | | 32,227,310 | 32,460,470 |
| Current Liabilities | | | |
| Consumer deposits | 6 | 782,236 | 724,817 |
| Provisions | 5 | 1,458,951 | - |
| Trade Creditors | 7 | 40,149,135 | 36,065,473 |
| Unspent conditional grants and receipts | 8 | 45,403,271 | 36,408,920 |
| VAT | 9 | - | 265,856 |
| Current portion of long-term liabilities | 3 | 73,728 | 62,746 |
| | | 87,867,321 | 73,527,808 |
| Total Net Assets and Liabilities | | 469,660,649 | 391,525,947 |
| Assets | | | |
| Non-Current Assets | | | |
| Property, plant and equipment | 10 | 240,724,846 | 162,798,758 |
| Investments | 11 | 20,510,899 | 19,247,064 |
| Long term receivables | 12 | 3,024,318 | 8,488,375 |
| | | 264,259,863 | 190,534,197 |
| Current Assets | | | |
| Inventories | 13 | 519,582 | 308,244 |
| Consumer debtors | 14 | 9,867,893 | 6,681,717 |
| Other debtors | 15 | 3,674,377 | 10,473,860 |
| Current portion of long-term receivables | 12 | 455,328 | 746,499 |
| VAT | 9 | 9,037,020 | - |
| Call investment deposits | 16 | 90,000,000 | 155,000,000 |
| Bank balances and cash | 17 | 91,846,586 | 27,781,400 |
| | | 205,400,786 | 200,991,750 |
| Total Assets | | 469,660,649 | 391,525,947 |

uThungulu District Municipality
Annual Financial Statements for the year ended June 30, 2006

Report of the Auditor-General

To be inserted by Auditor - General

Auditor General

Richards Bay
Thursday, August 31, 2006

